

**FINANCIAL MANAGEMENT:
Review of Assertions Included in the
Financial Crimes Enforcement Network's
Fiscal Year 2001
Annual Report of Drug Control Funds**

OIG-02-044

February 11, 2002



Office of Inspector General

The Department of the Treasury

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Financial Crimes Enforcement Network's Annual Report of FY 2001 Drug Control Funds

Abbreviations

FinCEN	Financial Crimes Enforcement Network
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code



Report of the Office of Inspector General

The Department of the Treasury
Office of Inspector General

James F. Sloan
Director
Financial Crimes Enforcement Network

We have reviewed management's assertions in Section B of the accompanying Financial Crimes Enforcement Network's (FinCEN) Annual Report of Fiscal Year 2001 Drug Control Funds (Submission).

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *"Annual Accounting of Drug Control Funds"* (Circular), and is the responsibility of FinCEN's management.

Based on our review, nothing came to our attention that caused us to believe that management's assertions included in Section B of the accompanying Submission are not fairly stated, in all material respects, based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of FinCEN, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

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Our report has been reviewed by your staff and their comments have been included in Appendix 1 of this report. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.

William H. Pugh
Deputy Assistant Inspector General for Financial Management and
Information Technology Audits
January 17, 2002



DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

FEB 05 2002

MEMORANDUM FOR WILLIAM H. PUGH
DEPUTY ASSISTANT INSPECTOR GENERAL FOR
FINANCIAL MANAGEMENT AND INFORMATION
TECHNOLOGY AUDITS

FROM: Nicholas A. Procaccini *N. Procaccini*
Assistant Director (Management/CFO)

SUBJECT: Draft Report on the Review of Financial Crimes Enforcement
Network's Fiscal Year 2001 Annual Report of Drug Funds

We have reviewed the draft report on FinCEN's FY 2001 Annual Report on Drug Control Funds and have no comments. We appreciate the professional approach taken by the Inspector General staff in conducting this review and look forward to working with you again next year.

If additional information is needed, I can be reached at (703) 905-3840 or Linda Snyder (Budget Analyst) at (703) 905-3677.

cc: Joe McAndrew
Office of Accounting and Internal Control

Financial Audits Division

Michael Fitzgerald, Director
Kimberly Fleming, Audit Manager
Ken Harness, Auditor
Catherine Yi, Auditor

The Department of the Treasury

Office of Accounting and Internal Control

Financial Crimes Enforcement Network

Director

Assistant Director, Management / Chief Financial Officer

Office of Management and Budget

OIG Budget Examiner



DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

NOV 29 2001

MEMORANDUM FOR DIRECTOR, OFFICE OF PROGRAMS, BUDGET,
RESEARCH AND EVALUATION
OFFICE OF NATIONAL DRUG CONTROL POLICY

FROM:

Nicholas A. Procaccini *N. Procaccini*
Assistant Director (Management/CFO)

SUBJECT:

Annual Report of FY 2001 Drug Control Funds

Attached is the Financial Crimes Enforcement Network (FinCEN) Annual Report of FY 2001 Drug Control Funds. FinCEN obligated \$6.9 million and utilized 37 FTE in support of the National Drug Control Program.

If additional information is needed, I can be reached at 703-905-3840 or Mary Messerli (Budget Analyst) at 703-905-3615.

Attachment

cc: Anna F. Dixon
Director, OF&A
Office of Enforcement

Joe McAndrew
Office of Accounting and Internal Control

Mike Fitzgerald
Office of the Inspector General

FINANCIAL CRIMES ENFORCEMENT NETWORK

\$000 in millions

A. Table of FY 2001 Drug Control Obligations

	FY 2001 Actual
Drug Resources by Goal	
Goal 2	<u>5.579</u>
Goal 5	<u>1.395</u>
Total	6.974
Drug Resources by Function	
Intelligence	<u>6.974</u>
Total	6.974
Drug Resources by Decision Unit	
Salaries and Expenses	6.918
Violent Crime Trust Fund	<u>0.056</u>
Total	6.974
Drug Resources Personnel Summary	
Total FTEs (direct only)	37
Information	
Total FinCEN BA 1 Obligations	33.2
Drug Percentage of 21%	7.0

(1) Drug Methodology

FinCEN is provided appropriated funding for a law enforcement support effort much broader than drug-related criminal investigations. This law enforcement support effort is focused on providing broad-based intelligence and information sharing on money laundering that helps illuminate the financial trail for investigators as they track criminals and their assets. A by-product of FinCEN's efforts to 'follow-the-financial-trail' often assists law enforcement in their drug-related investigations.

Several different cost distribution models were examined. The methodology chosen for estimating the % of drug-related investigations is based on the number of drug-related investigative cases supported, with the assumption that this is a reflection on FinCEN's overall drug-related efforts. Each request for case support is assigned a unique case number. All cases are initially screened and drug-related cases are flagged as such in the tracking database. The number of drug-related cases is compared to the total number of cases to determine the overall percentage of drug-related efforts within FinCEN. This percentage is then applied to FinCEN's total Budget Activity 1 direct obligations to estimate the overall support FinCEN provides to law enforcement on drug-related efforts. This methodology is supportable and provides an estimate that fairly represents the support provided to law enforcement's drug-related efforts.

(2) Methodology Modifications

None.

(3) Material Weaknesses or Other Findings

None.

(4) Reprogrammings or Transfers

None.

B. Assertions**(1) Drug Methodology**

The drug methodology used to calculate obligations of budgetary resources in the Table of FY 2001 Drug Control Obligations is reasonable and accurate.

(2) Application of Methodology

The methodology based on the number of drug-related cases (discussed above), was the actual methodology used to generate the Table of FY 2001 Drug Control Obligations in part A.

(3) Financial Plan

The obligations presented are associated with a financial plan and there were no revisions or changes to the financial plan including reprogrammings or transfers affecting drug resources in excess of \$5 million.